

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 5746

WASHINGTON STATE HOUSING FINANCE COMMISSION

Agency No. 148

July 1, 1995 Through June 30, 1996

Issue Date: February 7, 1997

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WASHINGTON STATE HOUSING FINANCE COMMISSION

Agency No. 148

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Overview

We performed the statewide single audit of the state of Washington for the fiscal year ended June 30, 1996. In accordance with the Single Audit Act of 1984, we audited the state as an entity, rather than each agency separately. The results of this audit will be published in a statewide single audit report which includes the following:

- An opinion on the financial statements.
- A report on internal control structure-related matters based solely on an assessment of control risk made as part of the audit of the financial statements.
- A report on compliance with laws and regulations that may have a material effect on the financial statements.
- An opinion on supplementary Schedule of Federal Financial Assistance.
- A report on internal controls over federal financial assistance.
- An opinion on compliance with specific requirements applicable to major federal financial assistance programs.
- A report on compliance with general requirements applicable to federal financial assistance programs.
- A report on compliance with laws and regulations applicable to nonmajor federal financial assistance program transactions tested.
- A Schedule of Findings and Schedule of Questioned Costs.

The work performed at the Washington State Housing Finance Commission included procedures to satisfy the requirements of the 1996 statewide single audit and supplemental reviews and tests deemed necessary in the circumstances.

There was a finding, which is listed in the Schedule of Findings following this Overview, for the Washington State Housing Finance Commission.

Brian Sonntag
State Auditor

December 18, 1996

WASHINGTON STATE HOUSING FINANCE COMMISSION

Agency No. 148

July 1, 1995 Through June 30, 1996

Schedule Of Findings

1. Washington State Housing Finance Commission (WSHFC) Should Follow State Regulations For Acquiring Computer Technical Support Services

Our audit revealed that WSHFC obtained on-going computer technical support services without complying with state competitive bid requirements. Initially the unexpected departure of computer support staff prompted WSHFC to obtain, on an emergency basis, services outside of the agency. However, our tests revealed that the company was retained for services on an on-going basis. Services provided encompassed project management, asset repair, networking, voice-data cabling, hardware set-up/upgrades, and limited software system work. WSHFC expended \$44,127.11 for these services during the period September 1995 through December 1996.

The *Revised Code of Washington* 43.19.1906 states in part:

Insofar as practicable, all purchases and sales shall be based on competitive bids, and a formal sealed bid procedure shall be used as standard procedure for all purchases and contracts for purchases and sales executed by the state purchasing and material control director and under powers granted by RCW 43.19.190 through 43.19.1939. This requirement also applies to purchases and contracts for purchases and sales executed by state agencies, including educational institutions, under delegated authority granted in accordance with provisions of RCW 43.19.190 or under RCW 28B.10.029.

The State of Washington Office of Financial Management's (OFM) *Policies, Regulations, and Procedures* manual Section 4.3.1.3.7. states:

- a. Emergency contracts are awarded to resolve an emergency situation. An "emergency" means a set of unforeseen circumstances beyond the control of the agency that either presents a real, immediate threat to the proper performance of essential functions or may result in material loss or damage, bodily injury, or loss of life if immediate action is not taken.

Washington State Housing Finance Commission personnel indicated they initially obtained the computer support services under emergency conditions but failed to follow through with a bid as soon as it was known that these services would continue to be needed.

This condition increases the risk that the agency is not receiving services at competitive prices.

We recommend that Washington State Housing Finance Commission follow state regulations for acquiring computer technical support services.

Auditee's Response

We concur with the audit finding. The Washington State Housing Finance Commission has initiated a process to acquire computer technical support services within state guidelines. We will complete the process for acquisition of these mission critical services as soon as feasible. At that time, we will terminate our existing arrangement.

Auditor's Concluding Remarks

We appreciate the agency's commitment to resolve the condition noted in our finding. We will review the resolution of this issue during the course of our next audit.